

ADDRESS BY THE PRIME MINISTER AT THE INTERNATIONAL RUBBER CONFERENCE AND THE MALAYSIAN RUBBER EXCHANGE AND LICENSING BOARD MARKETING CONFERENCE AT THE NIRWANA BALLROOM, HILTON HOTEL, KUALA LUMPUR ON 25TH OCTOBER, 1975

Mr. Chairman, Honourable Ministers, Distinguished Participants, Ladies and Gentlemen.

I consider it an honour and pleasure to address such an expert and august gathering of experts at the Rubber Industry. October 1975 is indeed a memorable month for those concerned with rubber in Malaysia because four important events have taken place almost simultaneously. I refer to the International TC 45 Meeting of ISO (International Standards Organisation) on the standards for rubber, the MRELB's (Malaysian Rubber Exchange and Licensing Board) International Marketing Conference, the 1975 International Rubber Conference organised by the RRIM (Rubber Research Institute of Malaysia) on behalf of the MRRDB (Malaysian Rubber Research and Development Board), and finally, the Golden Jubilee Celebrations of the RRIM (Rubber Research Institute of Malaysia).

Together, these have dealt with questions relating to the whole spectrum of natural rubber development—production, processing, standards, marketing and manufacturing. For this immensely important and gigantic task, experts from research institutes, universities and the business world from no less than thirty-four countries have come together in Malaysia during the last three weeks.

While conferences have become a way of life in the present world, conferences such as the ones you have been having are important as there is growing inter-dependence between countries, developed and developing and International Co-operation is, therefore, vital.

In the context of today's world economy—ridden by financial crisis, balance of payments problems, negative growth and massive unemployment, it is opportune that scientists, planners and experts connected with the world elastomer industry should have got together to assess developments, consolidate thinking, identify common interests, pool knowledge and work out new strategies and innovations which would serve the common interest of producers, traders and consumers alike. Let me deal with some central issues which are of primary concern to the industry.

One fundamental requirement as we move into the future is the potential for complementation between natural rubber and synthetic rubber. Historically, the market share of natural rubber has declined from virtually hundred per cent before the Second World War to the current level of thirty-two per cent to thirty-three per cent. While the world demand for all elastomers has been increasing rapidly, there have been definite shortfalls in natural rubber supply. For example, while demand has grown at the annual rate of seven per cent since 1945, natural rubber supply has increased by just two per cent over the greater part of the last three decades.

To be sure, with dramatic advances in production technology and extension in the end-uses of natural rubber, the techno-economic strength of natural rubber is now such that we confidently expect a growing relative role for natural rubber in the total elastomers market. Be that as it may, the fundamental point to appreciate is that while the world cannot do without natural rubber, neither can it do without synthetic rubber. It is this realisation on the part of natural rubber and synthetic rubber producers and consumers that has prompted the two industries to shift from aggressive competition in the fifties to co-existence in the sixties, and I hope, complementation in the seventies.

To achieve meaningful complementation, the techno-economic features of both natural rubber and synthetic rubber in end-uses must be properly and accurately assessed, their production potentials realistically estimated and future plans formulated by both sectors. I am pleased to note that a co-operative climate now begun to emerge between natural and synthetic rubber industries. I am hopeful that such co-operation will progressively be strengthened in the future. In this connection, it is noteworthy that

among the distinguished participants at these Conferences, there are a large number of synthetic rubber representatives and experts. In particular, I am pleased to note the participation of Mr. Lamberson, the Executive Director of the International Institute of Synthetic Rubber Producers, who in his address at the IRC also spoke of the need to build upon the spirit of co-operation and complementarity that has now begun to emerge between the two industries.

Ladies and Gentlemen,

The "energy crisis", the "oil shock" and the "petroleum hiatus"—call it what you will—have dramatically introduced new dimensions into the role of natural rubber vis-a-vis synthetic rubber in satisfying the growing world demand for all elastomers. Further, environmental and ecological consideration now demand new and stringent controls against pollution of all types and forms. With an eye to the needs of future generations, it is also imperative that more careful use of resources is needed by way of effective resources conservation programmes.

Taking account of such considerations, we can foresee the world moving into a "biological era"—an era in which biologically-based industrial products will be of crucial and increasing importance. As such, a new type of approach—an approach of close collaboration between natural rubber and synthetic rubber industries is called for. Ideally, this co-operation should be pervasive. Immediately it should manifest itself in the search for new uses for elastomers, increasing the scope for blending natural with synthetic rubber and improving our data and informational base for planning production and end use requirements. What is called for is the introduction of joint programmes in all these areas by both the natural rubber and synthetic rubber sectors. I hope the meetings, discussions and conclusions held in the last few weeks will enable the two sectors to move into this new phase of natural rubber-synthetic rubber co-operation and complementation with the utmost speed.

For its part, the natural rubber industry must be clear as to its strategy for action. Expert projections indicate that the world may require in the 1980s a total supply of all rubbers ranging from fourteen to seventeen million tons. The MRRDB (Malaysian

Rubber Research and Development Board) in its preliminary techno-economic analysis has estimated that natural rubber could account for a market share of forty-three per cent after taking into consideration the impact that energy prices and pollution abatement, for example, will have on the relative demand for natural rubber. What this implies is that natural rubber supply would have to be doubled in a matter of ten years.

What, therefore, the natural rubber industry must do to meet this challenge? In the first place, the formulation and implementation of dynamic production policies in all producing countries is imperative. This will entail rapid modernisation of the existing industry, new investments and quick use of research innovations.

I understand that the attention of IRC (International Rubber Conference) was drawn to planting materials capable of yielding in excess of three thousands pounds per acre, agro-management techniques allowing trees to mature under four years, yield stimulation to bring forth the full genetic potential of trees and so on. All these are exciting research developments, when one considers that average national yields per acre now range from only two hundred and fifty pounds to one thousand and two hundreds pounds and that immaturity periods range from six to nine years.

In the second place, we must continue to advance in our endeavours to develop natural rubber as a performance specified industrial material. Technical grading and standards, presentation and marketing must be attuned to this requirement. At the same time, processing methods must be geared to attain high technical standards and specifications.

Finally, natural rubber must be made available at stable and equitable price levels. This is a feature of prime importance to producers and consumers alike. Violent price fluctuations erode confidence, dislocate planning and inhibit optimisation of natural rubber use. Equally, for all producers, the vast majority of whom are smallholders, stable prices are necessary to induce efficient development and expansion of the industry.

Ladies and Gentlemen,

In Malaysia, we have endeavoured to move in these directions. Recognising the need for progressive modernisation of the industry, a dynamic replanting programme was mounted as far back as

1953. Through this programme, over ninety per cent of the estate area and sixty five per cent of all smallholder acreage have been replanted.

Our efforts in the field of research have already been fully discussed in the IRC (International Rubber Conference) sessions. The need now is for faster implementation of research innovations in the smallholder sector. To this end, RISDA (Rubber Industry Smallholders Development Authority) was established in 1973. On the basis of these efforts, we are setting ourselves a target of two thousands pounds of rubber an acre in the Malaysian smallholder sector to be achieved before the year 2,000.

As we develop at home, we will at the same time pursue an "open door" policy in respect of the transfer of technology, particularly in the natural rubber producing region. Through ASEAN, ANRPC (Association of Natural Rubber Producing Countries) and the IRRDB (International Rubber Research and Development Board), such co-operation will be strengthened. Malaysia will continue this policy of co-operation so that together we may meet the challenge confronting natural rubber.

We implemented the Standard Malaysian Rubber (SMR) Scheme and its new presentation processes as early as 1965. Today, SMR accounts for more than thirty per cent of Malaysian exports. The integrity of the SMR Scheme, with discipline and control of standards exercised in an organised manner, has evoked consumer enthusiasm and satisfaction. Malaysia is not sitting back on these achievements. We will continue to work for further refinements in standards and diversification of produce types. Work on further special purpose grades attuned to end-use application will continue.

To enable smallholders to avail themselves of these new technologies and standards, the Government has established MARDEC (Malaysian Rubber Development Corporation) to operate central factories for the processing and marketing of smallholder rubber. Fourteen factories are now in operation and more are underway. These central factories have capacities larger than those in the estates. MARDEC has also initiated joint ventures with consumers in production, fabrication, manufacture and marketing. Today MARDEC deals with only ten per cent of smallholder production. We intend that by the end of the Third Malaysia Plan, MARDEC

should handle fifty per cent of all smallholder production. And by 1985, we are hopeful that all rubber processed and exported from Malaysia will fall under the Technically Specified Rubber Scheme.

As for marketing at the national level, our principal aim has been to streamline our institutional structure and provide it with the full range of physical infrastructure necessary for an efficient and integrated marketing service. We have now integrated the activities of the Malaysian Rubber Exchange, the Malaysian Rubber Export Registration Board and the various licensing authorities in our States under a single national body known as the Malaysian Rubber Exchange and Licensing Board (MRELB). Our objectives are to make Kuala Lumpur an effective international marketing centre, to create greater consumer confidence in natural rubber, to speedily process complaints and claims relating to contracts, to provide and monitor market intelligence and marketing services, to modernise the price determining mechanism and to streamline licensing and other trading activities. In working towards these objectives, we will co-operate with other marketing centres in the producing and consuming regions.

At the regional level, the ANRPC (Association of Natural Rubber Producing Countries) has already agreed to work towards a co-ordinated marketing system for the region. National marketing centres, beyond those in Malaysia and Singapore, are to be set up as a first step. As a regionally co-ordinated operation evolves, our existing links with overseas terminal markets will be strengthened with the primary aim of developing an effective modern marketing system for natural rubber.

Violent cyclical price fluctuations have long afflicted the natural rubber industry. The resulting socio-economic problems which these have produced, especially for smallholders, have made it imperative that a measure of stability be secured. It is in this context that you must view the recent measures we took to intervene in the market. I refer to our intervention in the market through the implementation of the stock adjustment scheme in the late sixties and early seventies and more recently the implementation of our national crash programme in December 1974 when the price of natural rubber declined from an average of two dollars and sixty-six cents per kilo in January to a low of eighty-seven

cents per kilo towards the end of November in the same year. It is our considered view that these efforts have paid off in bringing about a greater measure of price stability in the market. More importantly, the experience gained should help us to bring into reality more comprehensive regional and international co-operative endeavours which assure even more stability in the market. It is in this context that the ANRPC countries have agreed to establish a formal price stabilisation programme. The scheme involves disciplined and planned production and the establishment and maintenance of a buffer stock.

It is essential that the world community sees our endeavours in this regard for what they are. Our objective is merely to hold prices at a stable level for the good of producers and consumers alike and not to hold consumers to ransom. I am hopeful that with the assistance of International Agencies like the UNCTAD, the World Bank and the IMF, positive steps will be taken to bring to reality international schemes which assure greater price stability for a wide range of commodities in the interest of producing and consuming nations.

The story of the International Tin Agreement is perhaps a story of success in international co-operation. The recent decision of the United States to join this Agreement augurs well for future arrangements for other commodities. We believe that natural rubber, in the context of all I have said, is a prime subject for the next international agreement.

Ladies and Gentlemen,

For Malaysia, as for a number of other countries in this region, natural rubber will continue to play an important role in shaping our economic destinies. While crop diversification has been successfully implemented, thus reducing our relative dependence on rubber as an export commodity, the natural rubber industry continues to be a major pillar of the Malaysian economy. It occupies almost two-thirds of the total land under agricultural crops, provides employment to one-third of the economically active population and contributes about one-third of total export revenue. Some two and half peoples directly rely on rubber for their livelihood. A large proportion of these are smallholders, many of whom live in poverty. They constitute a major target group to

which national programmes for development of the rubber industry which I have outlined will hence be an important means by which we can resolve problems of poverty and create a more just society in Malaysia.

I am convinced that natural rubber will grow in importance as a resource material for a wide range of uses. The Conference in general and the IRC in particular, in the quest for greater discrimination in resource use have even discussed the potential of natural rubber as a feedstock for scarce industrial materials produced from non-renewable resources. The future is therefore challenging and exciting. After fifty years of research and nearly hundred years since the arrival of *Hevea* to this region, I am told that scientists and technologists are still discovering new features of nature's polymer. Let us hope that scientists particularly in the RRI, in celebrating their Golden Jubilee this year, will find more exciting and rewarding possibilities in natural rubber for many years to come.

Ladies and Gentlemen,

Let me now conclude by thanking the organisers for giving me this opportunity to speak to you and meet with you. While my colleague, the Honourable Deputy Prime Minister², has already welcomed you and wished you well, let me add how pleased I am to have you all with us. I wish you a very pleasant and fruitful stay in Malaysia.

Thank you.

² Dato' Hussein Onn.



Y.A.B. Tun Haji Abdul Razak bin Hussein sedang berucap di Persidangan Getah Antarabangsa di Hotel Hilton, Kuala Lumpur pada 25hb Oktober, 1975